

OHIO FARM REAL ESTATE TAXES  
A Comparison With U.S. and Selected Regions

by  
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Farm real estate taxes, often maligned as being too high, provide a significant number of dollars to the public treasury for the support of schools and other county and township services. U.S. farm owners paid \$3.7 billion in real estate taxes in 1981; in Ohio they paid \$127 million. Farm owners are eternally concerned with the ever-increasing tax burden shouldered by farm owners. A brief comparison of what has happened in Ohio relative to neighboring states will be helpful in putting the concern in proper perspective.

Taxes Paid Per Acre

The amount of taxes paid per acre increased significantly during the past decade in Ohio and the U.S., but leveled off and grew at a slower rate in Ohio during the early 1980s. In Ohio, approval of a constitutional amendment that grouped residential and agricultural property in a single class for tax credit purposes contributed to a slight decline in taxes per acre in 1981. In Ohio after reassessment takes place, a tax credit is applied against the millage rate to compensate for inflationary pressures on assessed values. Since the value of residential property is likely to increase at a faster rate than the value of agricultural property, the single class credit will shift the burden of property taxes away from farm to residential property owners; this of course was not the situation during the late 1970s and early 1980s.

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In addition, under Ohio's current Agricultural Use Value System, the agricultural value of land is based on a capitalized net returns over a five-year period. Net returns on Ohio farms was stable to less during the early 1980s, hence the assessed value of enrolled farmland would be expected to limit the growth of farm real estate taxes in the near future.

Notice in Table 1 that the burden of Ohio's farm real estate taxes pales when compared to neighboring states and regions. Ohio's taxes per acre have, since 1950, been at or near the average for the cornbelt states. However, when compared with Illinois, we see that Ohio's rate is approximately 40 percent less. If one really wants to feel good about Ohio's farmland taxes he/she needs only observe the tax burden in the lake and northeast states. In Michigan 1981 farm real estate taxes paid per acre were nearly 2.5 times those in Ohio. In New York they were 80 percent higher than in Ohio.

Table 1.. FARM REAL ESTATE TAXES PAID PER ACRE  
OHIO VS. SELECTED REGIONS  
1950-1981

Region or State	1950	1960	1970	1980	1981
Cornbelt					
Ohio	\$1.08	\$2.21	\$4.31	\$ 8.35	\$ 8.33
Illinois	2.08	4.03	7.07	13.02	14.08
Average	1.39	2.56	4.90	8.31	8.70
Lake States					
Michigan	.80	2.36	4.67	17.55	20.54
Average	1.22	2.32	4.40	11.60	13.41
Northeast					
New York	1.69	3.13	4.91	13.73	15.30
Average	1.93	3.82	7.86	13.37	14.22
U.S. Average	.69	1.21	2.27	3.85	4.12

Source: Statistical Bulletin No. 701, ERS, USDA.

Index numbers permit easy comparison of relative changes that have occurred in taxes paid per acre. The information in Table 2 allows us to see if taxes paid per acre are increasing faster in Ohio than they are in neighboring states.

Table 2. FARM REAL ESTATE TAXES PAID PER ACRE  
OHIO VS. SELECTED REGIONS  
INDEX NUMBERS  
1977 = 100

Region or State	1977	1978	1979	1980	1981
Cornbelt					
Ohio	100	106	113	114	114
Indiana	100	103	129	144	151
Average	100	105	115	122	126
Lake States					
Michigan	100	115	131	156	183
Average	100	112	127	142	164
Northeast					
New York	100	104	117	127	142
Average	100	105	110	118	126
U.S. Average	100	100	107	115	123

Source: Statistical Bulletin No. 701, ERS, USDA.

The information in Table 2 indicates that farmland taxes in Ohio increased at a slower pace than in neighboring states and regions. During the four years following 1977, when land prices were rising very fast, Ohio's farm real estate taxes increased by only 14 percent; in Indiana they increased by 51 percent; in Michigan by 83 percent; and in New York by 42 percent. Ohio farmers have been spared the rapid increases in real estate taxes that farmers in nearby states have experienced.

#### Effective Tax Rates

The effective tax rate, the ratio of real estate taxes paid per acre to the market value of an acre of farmland, has declined during recent years in

Ohio, some neighboring states, and the U.S. The decline is largely a result of rapidly rising land prices without a commensurate increase in taxes. Some states, however, experienced an increase in effective rates. The information in Table 3 highlights the general decline with some noted exceptions.

Table 3.

FARM REAL ESTATE TAXES  
AMOUNT PER \$100 OF MARKET VALUE  
OHIO VS. SELECTED REGIONS  
1970-1981

Region or State	1970	1975	1979	1980	1981
Cornbelt					
Ohio	\$1.08	\$ .82	\$ .56	\$ .50	\$ .48
Illinois	1.44	1.10	.68	.65	.66
Average	1.24	.82	.53	.49	.48
Lake States					
Michigan	1.43	1.54	1.51	1.62	1.67
Average	1.72	1.34	1.10	1.11	1.14
Northeast					
New York	1.80	1.65	1.88	1.94	2.04
Average	1.59	1.08	.92	.93	.94
U.S. Average	1.08	.81	.53	.50	.48

Source: Statistical Bulletin No. 701, ERS, USDA.

Once again, as we compare Ohio data with other selected states and regions, we see a favorable picture emerge for Ohio farmers. The effective tax rate in Ohio has been at or near the average for the U.S. and the cornbelt, has declined steadily during the past decade, and in 1981 was 44 percent of the 1970 rate. In Michigan and New York, on the other hand, the effective tax rates increased during the same period; Michigan by 17 percent and New York by 13 percent.

Taxes as Percent of Farm Expenses and Income

The percentage of farm expenses paid in real estate taxes declined during the past decade; a result of taxes increasing at a slower rate than most

other production expenses. During the period 1971 to 1981 U.S. farm real estate taxes increased at approximately five percent per year while total production expenses increased by nearly 12 percent, with some items such as interest on non-restate debt and fuel expenses increasing by 21 and 18 percent per year, respectively. The relative share of total production expenses spent on real estate taxes declined from 5.1 to 2.7 percent during the decade of the 70s. Ohio data would show the same decline as shown for the U.S. in Table 4.

Table 4.

FARM REAL ESTATE TAXES  
PERCENTAGE OF EXPENSES AND INCOME  
U.S. 1970-1981

Year	Farm Real Estate Taxes as Percent of:	
	Production Expenses	Net Farm Income
1970	5.1	11.7
1975	3.7	8.1
1978	3.1	8.7
1979	2.8	7.9
1980	2.7	11.6
1981	2.7	10.7

Source: Statistical Bulletin No. 701, ERS, USDA.

Despite the fact that real estate taxes have been a declining share of total production expenses, the level of real estate taxes is still an important determinant of farm financial conditions. From 1970 to 1981 U.S. farm real estate taxes ranged from approximately six to twelve percent of net farm income without exhibiting a trend. The fluctuation is largely the

result of changes in net farm income. During periods of low net farm income, real estate taxes, because of their fixity and necessity for payment, become a significantly higher portion of earnings and place added stress on an already diminished cash flow.

#### Summary

Farm real estate taxes are likely less of a burden to farmers in Ohio than they are in neighboring states. Ohio farmers pay less taxes per acre, have not experienced rapid tax increases in recent years, pay a lower effective tax rate, and share the declining percentage of total production expenses paid in real estate taxes.